

STATE OF MAINE
PUBLIC UTILITIES COMMISSION

Docket No. 2004-762

December 1, 2004

EASTERN MAINE ELECTRIC COOPERATIVE, INC.
Application for Approval of Issuance
of Securities (\$902) (\$3,000,000)

ORDER APPROVING
ISSUE OF SECURITIES

WELCH, Chairman; DIAMOND and REISHUS, Commissioners

I. SUMMARY

On November 1, 2004, Eastern Maine Electric Cooperative (EMEC or the Company) filed with the Commission an application for approval to enter into a revolving loan agreement with the National Rural Utilities Cooperative Finance Corporation (CFC). EMEC will be renewing an unsecured revolving line of credit of \$3,000,000 from CFC until December 31, 2008 (four years) at a variable rate of interest. This Order approves EMEC's request.

II. BACKGROUND & DECISION

EMEC has requested approval to renew its maturing \$3.0 million unsecured revolving line of credit for an additional four years through December 31, 2008. Although the Cooperative expects to utilize this credit line for working capital purposes, it can also serve as temporary financing of longer-term capital expenditures. The variable interest rate will be based on the formula "*Wall Street Journal* Prime Rate" plus 1.0%, which would total 6.0% today. While the Commission has generally preferred fixed-rate financing to variable-rate financing, we are aware that variable-rate offerings are typical in the financial industry for revolving credit agreements. We understand that EMEC has monitored its variable-rate loan obligations closely and that it will continue to do so in the future. We are therefore comfortable that the Company will take whatever steps necessary to minimize its future interest costs.

Pursuant to an Amended Delegation Order dated January 9, 1996, in Docket No. 94-401, the Commission delegated to the Director of Finance pursuant to 35-A M.R.S.A. § 107 (4), the authority to grant the Approval of Stocks, Bonds and Notes by the Public Utilities Commission, Chapter 9, 35-A M.R.S.A., in those circumstances that involved the approval of Maine Municipal Bond Bank (MMBB), Rural Utilities Service (RUS), National Rural Utilities Cooperative Finance Corporation (CFC), Rural Telephone Bank (RTB) and CoBank, ACB (CoBank) financing applications by telecommunication and electric utilities. The approval of the Director of Finance shall be in the form of an Order, copies of which shall be maintained in the files of the office of the Administrative Director.

Having reviewed the application of the Company, together with data provided in support of it, it is the opinion of the Commission that the proceeds of the issuance of the securities are required in good faith for the purposes enumerated in 35-A M.R.S.A. § 901. In approving this securities issue, consistent with normal practice and pursuant to 35-A M.R.S.A. § 902(4), the Commission does not imply approval of the Company's capital needs, capital costs or capitalization ratio for rate making purposes, nor does this Order limit or restrict the powers of the Commission in determining or fixing any rate.

Accordingly, pursuant to the Amended Delegation Order dated January 9, 1996, in Docket No. 94-401, it is:

O R D E R E D

1. That Eastern Maine Electric Cooperative, Inc. (EMEC) is authorized to enter into an unsecured revolving line of credit agreement with the National Rural Utilities Cooperative Finance Corporation (CFC), as set forth in its application, in a sum not to exceed \$3,000,000 at a variable interest rate of Wall Street Journal Prime Rate plus 1.0%, with a final maturity of December 31, 2008;
2. That EMEC report to the Director of Finance, in writing its doings pursuant to this Order within 90 days of the date of closing of the loan; and
3. That a copy of this Order be mailed to interested parties and this Docket be closed.

Dated at Augusta, Maine, this 1st day of December, 2004.

BY ORDER OF THE DIRECTOR OF FINANCE

Richard M. Kania

NOTICE OF RIGHTS TO REVIEW OR APPEAL

5 M.R.S.A. § 9061 requires the Public Utilities Commission to give each party to an adjudicatory proceeding written notice of the party's rights to review or appeal of its decision made at the conclusion of the adjudicatory proceeding. The methods of review or appeal of PUC decisions at the conclusion of an adjudicatory proceeding are as follows:

1. Reconsideration of the Commission's Order may be requested under Section 1004 of the Commission's Rules of Practice and Procedure (65-407 C.M.R.110) within 20 days of the date of the Order by filing a petition with the Commission stating the grounds upon which reconsideration is sought.
2. Appeal of a final decision of the Commission may be taken to the Law Court by filing, within 21 days of the date of the Order, a Notice of Appeal with the Administrative Director of the Commission, pursuant to 35-A M.R.S.A. § 1320(1)-(4) and the Maine Rules of Appellate Procedure.
3. Additional court review of constitutional issues or issues involving the justness or reasonableness of rates may be had by the filing of an appeal with the Law Court, pursuant to 35-A M.R.S.A. § 1320(5).

Note: The attachment of this Notice to a document does not indicate the Commission's view that the particular document may be subject to review or appeal. Similarly, the failure of the Commission to attach a copy of this Notice to a document does not indicate the Commission's view that the document is not subject to review or appeal.